

EXHIBIT 1

INTRODUCTION

At all relevant times, Respondent Larry C. Wahl served as an appointed member of the Chico Planning Commission. Respondent was also a candidate for the Chico City Council in the November 1998 and 2000 General Municipal elections. He currently holds elective public office as a member of the Chico City Council.

As an appointed member of the Chico Planning Commission, Respondent was subject to the conflict of interest provisions of Government Code section 84308. This section imposes limitations on campaign contributions and prescribes disclosure and disqualification requirements for members of appointed boards and commissions who make decisions with respect to licenses, permits, or other entitlements for use.

In 1999, on four separate occasions, as an appointed member of the Chico Planning Commission, Respondent failed to disqualify himself from making planning commission decisions involving local developers that had each contributed in excess of \$250 to his city council campaign during the preceding twelve months, and failed to disclose his receipt of the campaign contributions on the record of the proceedings in which those decisions were made.

In addition to the Government Code section 84308 conflict of interest violations described above, Respondent failed to fully disclose his reportable economic interests on 1997, 1998, and 1999 annual statements of economic interests ("SEI's"), namely, the separate property assets of his wife.

For the purposes of this Stipulation, Respondent's violations of the Political Reform Act (the "Act")¹ are stated as follows:

COUNT 1: On or about March 31, 1998, Respondent Larry C. Wahl failed to fully disclose the reportable investments and real property interests of his wife in a 1997 annual statement of economic interests, in violation of sections 87203 and 87206.

COUNT 2 On February 1, 1999, Respondent Larry C. Wahl failed to disclose a \$1,000 campaign contribution from John D. Drake of Drake Homes, a party to a proceeding before the Chico Planning Commission, and failed to disqualify himself from making and participating in making a decision involving Drake Homes, in violation of section 84308, subdivision (c).

COUNT 3: On February 8, 1999, Respondent Larry C. Wahl failed to disclose a

¹ The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in sections 18109 through 18997 of title 2 of the California Code of Regulations. All regulatory references are to title 2, division 6 of the California Code of Regulations, unless otherwise indicated.

\$1,000 campaign contribution from Webb Homes, a party to a proceeding before the Chico Planning Commission, and failed to disqualify himself from making and participating in making a decision involving Webb Homes, in violation of section 84308, subdivision (c).

COUNT 4: On March 1, 1999, Respondent Larry C. Wahl failed to disclose a \$1,000 campaign contribution from Ritchie Homes, a party to a proceeding before the Chico Planning Commission, and failed to disqualify himself from making and participating in making a decision involving Ritchie Homes, in violation of section 84308, subdivision (c).

COUNT 5: On or about April 1, 1999, Respondent Larry C. Wahl failed to fully disclose the reportable investments and real property interests of his wife in a 1998 annual statement of economic interests, in violation of sections 87203 and 87206.

COUNT 6: On September 13, 1999, Respondent Larry C. Wahl failed to disclose a \$1,000 campaign contribution from John D. Drake of Drake Homes, a party to a proceeding before the Chico Planning Commission, and failed to disqualify himself from making and participating in making a decision involving Drake Homes, in violation of section 84308, subdivision (c).

COUNT 7: On or about March 31, 2000, Respondent Larry C. Wahl failed to fully disclose the reportable investments and real property interests of his wife in a 1999 annual statement of economic interests, in violation of sections 87203 and 87206.

SUMMARY OF THE LAW

Conflicts of Interest and Campaign Contributions

One of the express purposes of the Act, as set forth in section 81001, subdivision (b), is that public officials should perform their duties in an impartial manner, free from bias caused by their own financial interests or the financial interests of those persons who have supported them.

Section 84308 deals specifically with members of appointed boards or commissions who make decisions in proceedings which involve licenses, permits, or other entitlements for use and the receipt of campaign contributions from persons involved in those proceedings. Although the receipt of campaign contributions is not a basis for disqualification under the conflict-of-interest provisions found in section 87100 et seq., under section 84308 there are restrictions in the amount and timing of contributions, which can trigger disclosure and disqualification requirements.

Section 84308, subdivision (c) requires disqualification in proceedings which involve licenses, permits, or other entitlements for use, if the officer has received campaign contributions

of \$250 or more from a party or participant to the proceeding within twelve month preceding the decision. Subdivision (c) states:

“No officer of an agency shall make, participate in making, or in any way attempt to use his or her official position to influence the decision in a proceeding involving a license, permit, or other entitlement for use pending before the agency if the officer has willfully or knowingly received a contribution in an amount of more than \$250 within the preceding 12 months from a party or his or her agent, or from any participant, or from his or her agent if the officer knows or has reason to know that the participant has a financial interest in the decision.”

Subdivision (c) also requires the public disclosure of campaign contributions, as follows:

“Prior to rendering any decision in a proceeding involving a license, permit, or other entitlement for use pending before an agency, each officer of the agency who received a contribution within the preceding 12 months in an amount of more than \$250 from a party or from any participant shall disclose that fact on the record of the proceeding.”

Section 84308, subdivision (a) sets forth various definitions of specific terms used in the prohibitory statute. A *party* is any person who files an application for, or is the subject of, a proceeding involving a license, permit, or other entitlement for use. A *participant* is any person who is not an actual party but who actively supports or opposes a particular decision in a proceeding involving a license, permit, or other entitlement for use and who has a financial interest in the outcome of the decision.

Pursuant to regulation 18438.3, a person is an *agent* of a party to, or a participant in, a proceeding involving a license, permit, or other entitlement for use, only if he or she represents that person in connection with the proceeding involving the license, permit, or other entitlement for use.

Agency means any state or local government agency, as defined in section 82003, excluding the courts or any agency in the judicial branch of government, local government agencies whose members are directly elected by the voters, the Legislature, the Board of Equalization, or constitutional officers. An *officer* is defined in section 84308, subdivision (a) as any elected or appointed officer of an agency, and any candidate for elective office.

A *license, permit, or other entitlement for use* is defined as “all business, professional, trade and land use licenses and permits, and all other entitlements for use, including all entitlements for land use, all contracts (other than competitively bid, labor or personal employment contracts), and all franchises.”

Disclosure of Economic Interests

One of the express purposes of the Act, as set forth in section 81002, subdivision (c), is to ensure that the assets and income of public officials, which may be materially affected by their official actions, be disclosed, so that conflicts of interest may be avoided. The Act therefore establishes an economic interest reporting system designed to accomplish this purpose of disclosure.

In furtherance of that purpose, section 87203 requires every person who holds an office described in section 87200, which includes members of planning commissions, to annually file with the Fair Political Practices Commission, at a time specified in the Commission's regulations, a statement of economic interests disclosing his or her reportable investments, interests in real property, and income. Under regulation 18723, subdivision (b)(2), the deadline for a planning commissioner to file an annual statement of economic interests is April 1 of each year. The statement must include all of the planning commissioner's reportable economic interests held or received during the preceding calendar year.

The Act sets forth various definitions of specific terms used in section 87203, as follows:

Investment means any economic interest in a business entity, including but not limited to, any partnership or other ownership interest owned directly, indirectly, or beneficially by the public official or his or her immediate family, if the business entity has an interest in real property in the jurisdiction, or does business or plans to do business in the jurisdiction, or has done business within the jurisdiction at any time during the two years prior to the time any statement or other action is required under the Act. (Section 82034.) The investments of an individual also include a pro rata share of the individual's investments of any business entity in which the individual or immediate family owns directly, indirectly, or beneficially, a 10-percent interest or greater.

Interest in Real Property includes any leasehold, beneficial, or ownership interest in real property located in the jurisdiction owned directly, indirectly, or beneficially by the public official or his or her immediate family if the fair market value of the interest is \$2,000 or more. (Section 82033.) Interests in real property of an individual also include a pro rata share of interests in real property of any business entity or trust in which the individual or immediate family owns directly, indirectly or beneficially, a 10-percent interest or greater.

Immediate Family means spouse and dependent children. (Section 82029.)

Jurisdiction means the region, county, city, district, or other geographical area with respect to a local government agency. (Section 82025.) Real property is deemed to be "within the jurisdiction" with respect to a local government agency if the property or any part of it is located within or not more than two miles outside the boundaries of the jurisdiction or within two miles of any land owned or used by the local government agency.

Section 87206 states that when an investment or an interest in real property is required to be disclosed, the statement of economic interests shall contain, in part:

- a) A statement of the nature of the investment or interest.
- b) The name of the business entity in which each investment is held.
- c) The address or other precise location of real property.
- d) The dollar range of the fair market value of the asset.

SUMMARY OF THE FACTS

At all times relevant to this matter, Respondent was as a member of the Chico Planning Commission. He was appointed to the planning commission on June 12, 1997. While serving as a member of the Chico Planning Commission, Respondent was also a candidate for Chico City Council in the November 1998 general municipal election, which he lost, and again in the November 2000 General Municipal election, which he won. He currently serves as a member of the Chico City Council.

Count 1: 1997 Annual SEI

Mary Elizabeth Wahl is Respondent's wife. In 1997, Mary Elizabeth Wahl and her brother, Robert A. Fanno, inherited property upon the death of their mother. This property consisted, in part, of Fanno Saw Works, a California corporation, and FSW Investments, a California partnership.

Fanno Saw Works is a manufacturing and retail saw business, valued between \$100,000 and \$1,000,000. Fanno Saw Works is located in an unincorporated area of Butte County, but does business in the City of Chico as well as internationally. At all relevant times, Mary Elizabeth Wahl was a silent, non-participating owner with her brother in that corporation.

FSW Investments, also valued between \$100,000 and \$1,000,000, owns four improved parcels of property in Butte County: one within the City of Chico; and the other three outside of the boundaries of the city, but within two miles of its boundaries. One of the parcels located outside of the city was a parking lot that was leased to the United States Postal Service. The other three parcels were also leased to tenants, one of which was Fanno Saw Works. At all relevant times, Mary Elizabeth Wahl was a silent, but equal partner in FSW Investments. Title to all four parcels was held in the name of her brother, Robert A. Fanno. Mrs. Wahl's pro rata share of rental income from each tenant was less than \$10,000 per year.

On March 31, 1998, Respondent filed a 1997 annual SEI in which he failed to disclose any of his wife's separate property assets, described above.

Respondent knew about his wife's separate property assets, but claims that he was unaware of the requirement to disclose the separate property of a spouse. On July 12, 2001, at the request of the Enforcement Division, Respondent filed an amendment to his 1997 annual SEI to fully disclose his reportable economic interests.

By failing to fully disclose his reportable investments and real property interests in a 1998 annual SEI, filed on March 31, 1998, Respondent violated sections 87203 and 87206.

Count 2: Drake Homes

On or about September 2, 1998, Respondent went to the office of John D. Drake of Drake Homes to ask for a campaign contribution. John D. (“Dan”) Drake was, at the time, the president and sole owner of Drake Homes, Inc., a development corporation. On or about September 30, 1998, Respondent received a \$1,000 campaign contribution from Mr. Drake, which Respondent subsequently deposited into the campaign bank account of Larry Wahl for City Council, a committee established in connection with Respondent’s candidacy for city council. The contribution was disclosed on the committee’s first pre-election campaign statement, filed on or about October 5, 1998, for the reporting period July 1 through September 30, 1998, as a contribution from John Drake, “self-employed real estate developer.”

On February 1, 1999, approximately four months after Respondent received Mr. Drake’s \$1,000 campaign contribution, there was an item on the Chico Planning Commission agenda pertaining to Drake Homes. The item involved the appeal of an administrative use permit that allowed Drake Homes to reduce building setback areas on Legacy Lane in the Meadowood Subdivision. Respondent participated in the planning commission’s consideration of this item, by introducing the item and voting to uphold the planning director’s approval of the administrative use permit, subject to the conditions for approval as listed in the staff report. Prior to the vote, Drake Homes’ representative, Rick Payne, spoke at the meeting in favor of approval. At no time during the proceeding did Respondent disclose that he had received a contribution from Mr. Drake during the previous twelve months.

At the time this decision came before the planning commission, Respondent knew that Drake Homes had contributed to his campaign during the previous twelve months, but claims that he was unaware of the prohibitions and disclosure requirements of section 84308.

By failing to disclose a \$1,000 campaign contribution from John D. Drake of Drake Homes, a party to a proceeding before the Chico Planning Commission, and failing to disqualify himself from making and participating in making a decision involving Drake Homes, Respondent violated section 84308, subdivision (c).

Count 3: Webb Homes

On September 4, 1998, Respondent went to the office of Gregory Webb of Webb Homes to ask for a campaign contribution. Gregory (“Greg”) L. Webb is a partner/owner of Webb Homes, a building contractor. While Respondent was at Mr. Webb’s office, Mr. Webb gave him a campaign contribution drawn from the account of Webb Homes, in the amount of \$1,000. Respondent subsequently deposited the contribution check into the campaign bank account of Larry Wahl for City Council, a committee established in connection with Respondent’s candidacy for city council. The contribution was disclosed on the committee’s first pre-election campaign statement, filed on October 5, 1998, for the reporting period July 1 through September 30, 1998, as a contribution from Greg Homes, “builder/self-employed Webb Homes.”

On February 8, 1999, approximately five months after receiving Webb Homes' \$1,000 campaign contribution, there was an item on the Chico Planning Commission agenda pertaining to Webb Homes and the Peterson Vesting Tentative Subdivision Map. This item involved a proposed subdivision of approximately 43 acres in which Webb Homes was seeking to build 135 single-family homes. Respondent participated in the planning commission's consideration of the Vesting Tentative Subdivision Map for the Peterson Subdivision, by making a motion to adopt a resolution approving the item, and by voting for the resolution. Prior to the vote, Greg Webb spoke at the meeting in favor of approval. At no time during the proceeding did Respondent disclose that he had received a campaign contribution from Webb Homes during the previous twelve months.

At the time this decision came before the Chico Planning Commission, Respondent knew that Webb Homes had contributed to his campaign during the previous twelve months, but claims that he was unaware of the prohibitions and disclosure requirements of section 84308.

By failing to disclose a \$1,000 campaign contribution from Webb Homes, a party to a proceeding before the Chico Planning Commission, and failing to disqualify himself from making and participating in making a decision involving Webb Homes, Respondent violated section 84308, subdivision (c).

Count 4: Ritchie Homes

Respondent called Edward ("Rocco") Ritchie by telephone and requested a campaign contribution. Rocco Ritchie is the chief executive officer of Ritchie Construction, Inc., a general building contractor doing business as Ritchie Homes. On or about October 16, 1998, Respondent received a campaign contribution, in the amount of \$1,000, from Ritchie Homes, which Respondent subsequently deposited into the campaign bank account of Larry Wahl for City Council, a committee established in connection with Respondent's candidacy for city council. The contribution was disclosed on the committee's second pre-election campaign statement, filed on October 22, 1998, for the reporting period October 1 through 17, 1998, as a contribution from Louise Ritchie, "secretary/vice president Ritchie Homes."

On March 1, 1999, approximately four and one-half months after receiving Ritchie Homes' \$1,000 campaign contribution, there was an item on the Chico Planning Commission agenda pertaining to Ritchie Homes and the Stratford Estates Vesting Tentative Subdivision Map. Ritchie Homes was seeking to subdivide two existing parcels into 37 single-family lots. Respondent participated in the planning commission's consideration of the Vesting Tentative Subdivision Map for the Stratford Estates Subdivision, by making a motion to adopt a resolution approving the tentative subdivision map, and voting in favor of his motion. At no time during the proceeding did Respondent disclose that he had received a campaign contribution from Ritchie Homes during the previous twelve months.

At the time this decision came before the planning commission, Respondent knew that Ritchie Homes had contributed to his campaign during the previous twelve months, but claims that he was unaware of the prohibitions and disclosure requirements of section 84308.

By failing to disclose a \$1,000 campaign contribution from Ritchie Homes, a party to a proceeding before the Chico Planning Commission, and failing to disqualify himself from making and participating in making a decision involving Ritchie Homes, Respondent violated section 84308, subdivision (c).

Count 5: 1998 Annual SEI

As more fully described in Count 1, Respondent's wife, Mary Elizabeth Wahl, was an owner of Fanno Saw Works, a manufacturing and retail saw business, valued between \$100,000 and \$1,000,000. Fanno Saw Works is located in an unincorporated area of Butte County, but does business in the City of Chico as well as internationally. Mrs. Wahl was also a partner in FSW Investments, which owned four improved parcels of property, also valued between \$100,000 and \$1,000,000. One of the parcels was located within the jurisdiction of the City of Chico, and the other three were located outside of the city but within two miles of its boundaries.

On April 1, 1999, Respondent filed a 1998 annual SEI in which he failed to disclose any of his wife's separate property assets, described above.

Respondent knew about his wife's separate property assets, but claims that he was unaware of the requirement to disclose the separate property of a spouse received through inheritance. On July 12, 2001, at the request of the Enforcement Division, Respondent filed an amendment to his 1998 annual SEI to fully disclose his reportable economic interests.

By failing to fully disclose his reportable investments and real property interests in a 1998 annual SEI, filed on April 1, 1999, Respondent violated sections 87203 and 87206.

Count 6: Drake Homes

As described in Count 2, on or about September 30, 1998, Respondent received a \$1,000 campaign contribution from John D. Drake, the president and sole owner of Drake Homes, Inc., a development corporation.

On September 13, 1999, approximately eleven and one-half months after receiving the Drake campaign contribution, there was an item on the Chico Planning Commission agenda pertaining to Drake Homes. The agenda item was a General Plan Amendment, Rezone, and Vesting Subdivision Map for the Stonecreek Subdivision. This agenda item involved a proposed subdivision of 18 acres on which John D. Drake was seeking to build 89 single-family homes. Respondent participated in the planning commission's consideration of the General Plan Amendment, Rezone, and Vesting Tentative Subdivision Map for the Stonecreek Subdivision, by making a motion directing staff to complete a supplemental environmental impact report for the project, and voting in favor of his motion (which failed to pass), and then by voting against a motion to deny the project. At no time during the proceeding did Respondent disclose that he had received a contribution from Mr. Drake during the previous twelve months.

At the time this decision came before the planning commission, Respondent knew that John D. Drake had contributed to his campaign during the previous twelve months, but claims that he was unaware of the prohibitions and disclosure requirements of section 84308.

By failing to disclose a \$1,000 campaign contribution from John D. Drake of Drake Homes, a party to a proceeding before the Chico Planning Commission, and failing to disqualify himself from making and participating in making a decision involving Drake Homes, Respondent violated section 84308, subdivision (c).

Count 7: 1999 Annual SEI

As more fully described in Count 1, Respondent's wife, Mary Elizabeth Wahl, was an owner of Fanno Saw Works, a manufacturing and retail saw business, valued between \$100,000 and \$1,000,000. Fanno Saw Works is located in an unincorporated area of Butte County, but does business in the City of Chico as well as internationally. Mrs. Wahl was also a partner in FSW Investments, which owned four improved parcels of property, also valued between \$100,000 and \$1,000,000. One of the parcels was located within the City of Chico, and the other three were located outside of the city but within two miles of its boundaries.

On March 31, 2000, Respondent filed a 1999 annual SEI in which he failed to disclose any of his wife's separate property assets, described above.

Respondent knew about his wife's separate property assets, but claims that he was unaware of the requirement to disclose the separate property of a spouse received through inheritance. On July 12, 2001, at the request of the Enforcement Division, Respondent filed an amendment to his 1999 annual SEI to fully disclose his reportable economic interests.

By failing to fully disclose his reportable investments and real property interests in a 1999 annual SEI, filed on March 31, 2000, Respondent violated sections 87203 and 87206.

CONCLUSION

Concerning the section 84308 violations, Respondent actively solicited each of the campaign contributions that gave rise to his violations, and he was personally aware that the planning commission decisions involved parties that had made recent contributions to his city council campaign. Moreover, Respondent failed to disclose his receipt of the campaign contributions on the record of the proceedings. This participation and nondisclosure constitutes a very serious violations. However, Respondent's disclosure in campaign statements of the above-described contributions made it possible for the public to uncover his violations of section 84308. There is no evidence that Respondent received any financial benefit from the decisions, or that at the time he participated and made those decisions, he was aware of the section 84308 prohibition.

As for the SEI non-reporting violations, Respondent made land use decisions affecting his community for three years without publicly disclosing all of his reportable economic interests. SEI non-disclosure violations are serious violations of the Act. When an official fails

to fully disclose his income and assets, the public faces a more formidable challenge in ferreting out conflict of interest violations.

This matter consists of seven counts, which carry a maximum administrative penalty of Fourteen Thousand Dollars (\$14,000). Although Respondent's violations are serious, his actions appear to have resulted from a lack of understanding of the law, rather than from an intent to evade its requirements. Accordingly, a stipulated settlement that provides for the slightly mitigated penalty of Twelve Thousand Dollars (\$12,000) is appropriate.